COUNCIL AGENDA: 2/3/15 ITEM: 3.4



Memorandum

TO: HONORABLE MAYOR AND

CITY COUNCIL

FROM:

Councilmember

Donald Rocha

SUBJECT:

ANTI-GRAFFITI CONTRACT

AMENDMENT

DATE:

February 3, 2015

Approved \

Date

2/3/15

RECOMMENDATION

- 1. Decline to approve Recommendation 2 in the staff memo, which would allow the City manager to further increase the maximum contract compensation without returning to the City Council.
- 2. After the Anti-Graffiti Program Annual Report is heard by the Public Safety, Finance and Strategic Support Committee at its April 16, 2015 meeting, direct staff to agendize that report for consideration by the full Council, and to seek Council direction at that time as to whether the Council desires to continue with the current model past the expiration of the initial contract term in June 2016, explore another service provision model, or go out for an RFP.

ANALYSIS

Beginning with the 2011-12 fiscal year, the City outsourced its in-house anti-graffiti program (which had been widely recognized as innovative and successful). The contractor who took over the work, GPC, was touted as providing better service at lower cost, but concerns soon began to emerge. First, the contractor began exceeding their yearly expected contract amount. Then, in April 2012, a local news station reported that the contractor was overbilling the City by claiming to have painted more square feet than they actually had. An audit followed, which was released in June 2013.

The staff explanation for the higher contract amount has shifted over time. In an report at the May 1, 2012 Council meeting, staff attributed the higher costs to increased graffiti activity, but predicted that "GPC's eradication model... will cause graffiti activity in San Jose to decrease to forecast levels by 2015-16." In the 2013 audit, a number of possible reasons for the higher cost were identified, including GPC's "restorative" model, which involves painting over the entire wall instead of just the portion that has been tagged. Staff again predicted that costs would eventually fall, as noted by the Auditor on page 22 of her report: "According to PRNS and the contractor, restorations such as these result in

lower costs, easier graffiti removal in the long-term, and deter future graffiti vandalism. Under the restorative approach, costs are front-loaded, with future work being less costly." As we know, costs have not fallen. In their May 15, 2014 report to the Public Safety, Finance and Strategic Support Committee, staff acknowledged they would need to return to the Council to increase the contract amount.

Given this history, I offer two recommendations. First, we should not approve Recommendation 2 in the staff memo, which would allow the City Manager to further increase the amount spent on the contract without returning to the Council. If the contract needs even more money than we're being asked to approve today, the Council should vet that decision. Second, I recommend that we request that staff check in with the full Council sometime this spring, in conjunction with their yearly anti-graffiti report, to determine whether any work needs to be done to explore alternatives (whether an RFP or another service model) in advance of the expiration of GPC's contract in June 2016.

I would close by noting that although outsourcing is sometimes portrayed as a panacea for our budget problems, it brings many problems of its own. In this case, We are paying a private company to paint graffiti by the square foot. The more square feet they paint, the more money they make. Given our obligation to ensure that that public money is spent wisely and that the City's contracts are well-managed, we should give the issue close attention.